

Message Text

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SUBJECT: BILATERAL WITH ECUADOR AT IDB MEETING

1. AT U.S. REQUEST, U.S. DELEGATION REPS ARELLANO (STATE), VALDEZ (AID) AND DUNGAN (EXECUTIVE DIRECTOR IDB) MET WITH PLANNING AND ECONOMIC COORDINATION PRESIDENT SWETT IN VANCOUVER ON APRIL 18. PURPOSE OF THE MEETING WAS TO DISCUSS ECUADOR'S ECONOMIC DEVELOPMENT STRATEGY.

2. SWETT GAVE DETAILED DISCOURSE ON THE ECONOMIC AND POLITICAL SITUATION IN ECUADOR. HE INDICATED THAT THE GOE IS FORMULATING A NEW AND EXPANDED DEVELOPMENT STRATEGY DUE TO INCREASED PETROLEUM REVENUES. PRIORITY AREAS INCLUDE ENERGY, TRANSPORTATION, AND SOCIAL PROJECTS AND PUBLIC

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INVESTMENT WILL BE SEVERAL TIMES LEVELS PLANNED SEVERAL YEARS AGO. ALSO EXTERNAL DEBT HAS INCREASED RAPIDLY AND SERVICING THIS DEBT WILL ABSORB 18 PERCENT OF EXPORT REVENUES VERSUS ONLY 5 PERCENT IN THE EARLY 1970S. THIS IS A PRODUCT OF THE ECONOMIC EVOLUTION OF THE COUNTRY AND PART OF THE DEVELOPMENT PROCESS. FINALLY, THE GOE IS WORKING ON A LAND REDISTRIBUTION PROGRAM BUT SO FAR IT IS

NOT ADVANCED ENOUGH TO ENSURE ADEQUATE LAND REDISTRIBUTION
OR INCREASED PRODUCTION.

3. ON INTERNAL PRICES FOR PETROLEUM PRODUCTS SWETT INDICATED THAT HE RECOGNIZED NEED FOR PRICES WHICH REFLECTED ECONOMIC REALITIES BUT THERE WERE PROBLEMS. HE CITED THE RECENT INCREASE IN BUS FARES FROM 1 SUCRE TO 1.40 SUCRES WHICH HAD PRECIPITATED RIOTING AND SEVERAL DEATHS. NEVERTHELESS HE FELT THAT OTHER MEASURES TO BE TAKEN THIS YEAR, SUCH AS INCREASES IN PREMIUM GAS PRICES AND HIGHER TARIFFS ON AUTOMOBILES COULD BE EFFECTIVE.

4. AS TO THE POLITICAL SITUATION SWETT INDICATED THAT ECUADOR SOON WOULD RETURN TO A CONSTITUTIONAL GOVERNMENT. ELECTIONS ARE SLATED FOR JULY 16 AND THE CHANGE OF POWER SHOULD OCCUR AT YEAR END 1978 OR EARLY 1979.

5. U.S. DELEGATION NOTED THAT ECUADOR'S DEVELOPMENT POTENTIAL IS IMPRESSIVE AND URGED RATIONALIZATION OF PRICES FOR PETROLEUM PRODUCTS. THEY ALSO REFERRED TO PRESIDENT CARTER'S DISCUSSIONS WITH PRESIDENT POVEDA AND REAFFIRMED U.S. SUPPORT FOR CONTINUED ECONOMIC ASSISTANCE FOR ECUADOR. FURTHERMORE, THE U.S. IS AWARE OF THE ECONOMIC AND POLITICAL DIFFICULTIES IN FORMULATING A DEVELOPMENT STRATEGY. HOWEVER, IF ECUADOR WANTS CONTINUED ACCESS TO FSO FUNDS THERE MUST BE A SYSTEMATIC LIMITED OFFICIAL USE

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ATTACK ON THE COUNTRY'S ECONOMIC PROBLEMS. MOREOVER, IN ORDER TO ASSURE CONTINUED STRONG U.S. SUPPORT, MORE TANGIBLE EVIDENCE ON PROJECTS MUST BE FORTHCOMING IN TERMS OF TIMETABLES AND RESULTS.

6. U.S. ALSO RAISED COCAINE ISSUE AND INDICATED THAT IT COULD BECOME A SERIOUS BILATERAL PROBLEM. ECUADOREANS AGREED AND PROMISED TO RAISE QUESTION AT THE HIGHEST LEVELS IN THEIR GOVERNMENT. VANCE

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